

Economic Growth Officers Training

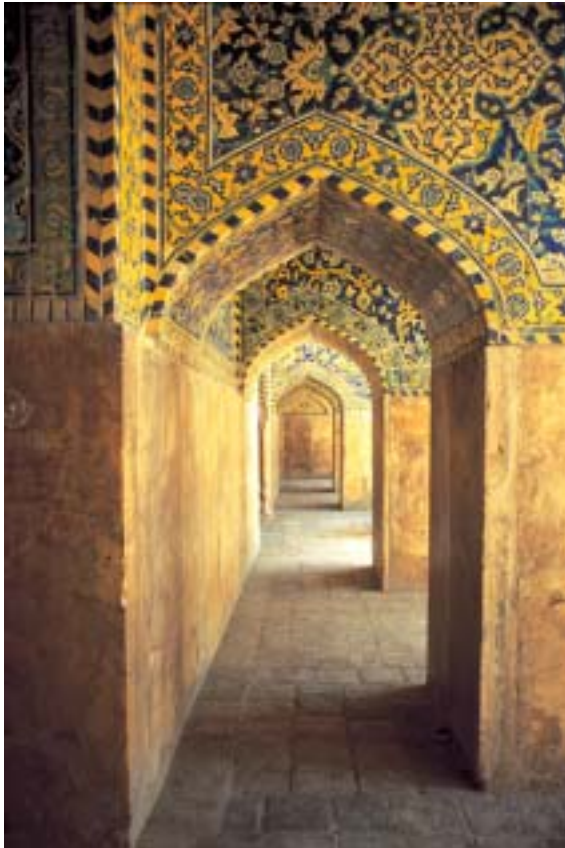
Module 6: Agriculture



A FRAMEWORK FOR UNDERSTANDING INVESTMENTS IN AGRICULTURE

“Except for certain isolated [cases]..., few countries have achieved sustained economic growth without transforming agriculture...”

Sequence of investments by type



Investments by Type:

1. Policy Reform and Planning
2. Technology Development and Diffusion
3. Rural Infrastructure
4. Agricultural Services
5. Asset Distribution and Access

Under what conditions to investments in agriculture succeed or fail?

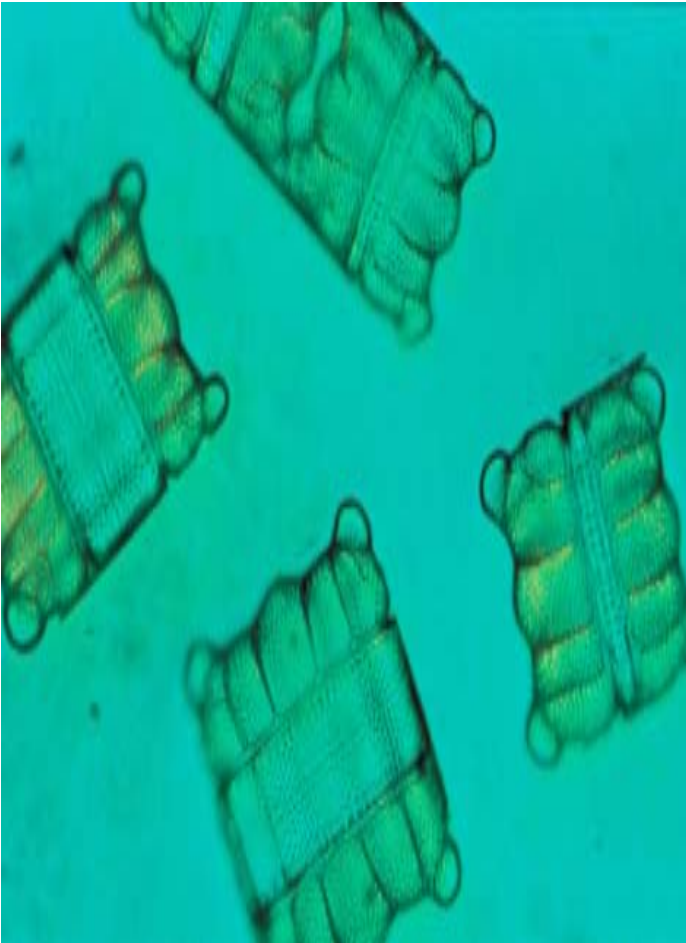
CDIE attempts to answer six questions:

- What to do?
 1. Is there a logical sequence for investing in the five sub-sectors?
 2. Has agriculture developed successfully in the absence of investment in one or more sub-sectors?
 3. Under what conditions have investments in each sub-sector been successful?
- Who should do it?
 1. Is the private sector better suited to invest in certain areas?
 2. Among all organizations implementing programs, are some better suited than others?
 3. Does U.S. have a comparative advantage in providing assistance in these areas?

Policy Reforms and Planning

- Purpose
- Methods employed to improve policy
 - Capital transfers
 - Technical assistance and training
- Results achieved
 - Institution building
 - Policy reform

Technology Development and Diffusion



- Purposes
- Impact of investments
 - High economic rates of return (30-50%)
- Education and agricultural technology
 - Emphasis on elementary education and females

Rural Infrastructure

- Characteristics of rural infrastructure
 - Facilitates variety of economic activities
 - Is provided free or at rates that are regulated
 - Usually cannot be imported
 - Is indivisible
- Impact of investments in infrastructure
 - Benefits in general
 - Economic returns often 10-20%

Agricultural Services

- Types of services
- Large impact of investments in agricultural credit on borrowers, lenders, the economy (serious doubts)
- Factors contributing to the most successful results
 - Generally favorable economic conditions
 - Flexible rates of interest
 - Emphasis on simple, traditional institutions
- Impact of investments in agricultural marketing have often been disappointing

Asset Distribution and Access



- Land tenure, security, market mechanisms
- Historical context
 - Through 1960s - active promotion
 - The 1970s -to forestall communist organizations
 - 1980s and '90s- rethinking, putting it into context
- Impact of investments in asset distribution and access
 - Multiple goals were not compatible
 - Inadequate access to ag. services and inputs
 - Inadequate political commitment

Key Findings

1. There is a preferred sequencing of investments:
 - Appropriate policy environment
 - Improved technologies
 - Adequate infrastructure
 - Agricultural services rely on policy, technology, and infrastructure for success
 - Asset distribution and access
2. Evaluation literature is inconclusive whether investments in all five sectors is essential.
 - A country's commitment to agricultural development is important for success
3. Investments have been most successful when they remove a key constraint, or when conditions favor progressive change
 - Support to ongoing policy reform
 - Access to key decision makers

Donors should:

- Provide non-project assistance to support economic policy reform only in countries where it will be used to facilitate reforms already initiated.
- Invest in development of new agricultural technologies.
- Consider investing in new rural infrastructure and ... in the maintenance of existing infrastructure.
- Advise on agricultural services, but don't invest in them.
- Advise on land interventions, but don't invest in them.